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FISCAL IMPACT STATEMENT

LS 6996

BILL NUMBER: HB 1245

NOTE PREPARED: Jan 29, 2008

BILL AMENDED: Jan 29, 2008

SUBJECT: Mass Transit Funding.

FIRST AUTHOR: Rep. Austin

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that a public transportation corporation located in a county having a consolidated city may receive each year, at the election of the public transportation corporation, 3% of the county's certified distribution of County Option Income Tax revenue for the year.

The bill also establishes the Regional Transportation Authority Formation Fund. The bill provides that a county, city, or town located within a regional transit authority may establish a transit development district to improve transportation infrastructure within the transit development district. The bill also provides that a transit development district captures a part of the Sales Taxes collected in the transit development district. This bill requires the fiscal body of the unit establishing a transit development district to appropriate the captured revenues to the regional transit authority. The bill also requires a regional transit authority to distribute 25% of any funds received from a transit development district to the Regional Transportation Authority Formation Fund. The bill provides the Fund shall be administered by the Indiana Department of Transportation. The bill requires the money in the fund to be used to make matching grants of up to 20% of the costs incurred by a county or municipality in establishing a regional transportation authority. The bill repeals the automated transit district statute.

Effective Date: July 1, 2008.

Explanation of State Expenditures: (Revised) *Transit Development Districts:* This bill will increase administrative expenditures of the Department of State Revenue (DOR). The DOR is required under the bill to determine the incremental amounts of Sales Tax collections that must be deposited in the Incremental Tax Financing Fund established under the bill by the Treasurer of State (Treasurer). Therefore, there will also be an indeterminable increase in the administrative expenditures of the Treasurer in being required to

establish the Incremental Tax Financing Fund and administering that Fund.

This bill will also increase the expenditures of the Indiana Department of Transportation (INDOT). The bill requires INDOT to administer the Regional Transportation Authority Formation Fund (RTAF Fund) and provide matching grants to entities wishing to establish a regional transportation authority. Any increase in costs will be offset by the provision of the bill allowing payment of these costs from the RTAF Fund.

Explanation of State Revenues: (Revised) *Transit Development Districts:* This bill will decrease state revenue from the Sales Tax. The amount of the decrease is indeterminable and will ultimately depend upon the number of transit development districts established under the bill that would be entitled to receive incremental portions of Sales Tax collections. The bill provides that the transit development district statute only applies to cities, towns, and counties located within the boundaries of a regional transit authority. The bill defines a regional transit authority as either: (1) a regional transportation authority; or (2) the Northwest Indiana Regional Development Authority. There is no limit to the number of districts that may be created within a regional transit authority. INDOT reports that there are only two entities that would currently qualify as regional transit authorities. Under current law, a regional transportation authority may be established by the fiscal body of any county or municipality, but the statute provides that only one transportation authority may be established within an area designated as a transportation planning district by INDOT. According to INDOT there are 14 regional planning districts.

The bill provides that no transit development district may receive more than \$5 M in deposits over the life of the district. The calculation of the deposits is as follows:

For the Sales Tax the deposit is result of:

- (1) the total amount of Sales taxes remitted by businesses operating in the transit development district during a state fiscal year; minus
- (2) the total amount of Sales taxes remitted by businesses operating in the territory comprising a transit development district during the full state fiscal year that precedes the date on which the transit development district was established.

The bill also requires the deposit to be adjusted for the amount of growth of the Sales Tax based on the Consumer Price Index that would be expected to occur without the presence of a transit development district.

The bill also establishes the RTAF Fund to be administered by INDOT and used to provide 20% matching grants to entities for the costs incurred in forming a regional transportation authority. The bill requires regional transit authorities that receive an appropriation from a transit development district to deposit 25% of each appropriation in the RTAF Fund. Once the aggregate total of all deposits reaches \$1 M the regional transit authorities will no longer be required to make the 25% deposit. The amount of revenue that will be deposited in the RTAF is indeterminable.

(Revised) *Background Information-* Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%)..

Explanation of Local Expenditures: (Revised) *Transit Development Districts:* There could be an increase in expenditures for the county treasurer of a county containing a transit development district. The amount of any increase is indeterminable.

Explanation of Local Revenues: (Revised) *Transit Development Districts:* All Sales Tax collections payable to a transit development district are required to be deposited in the transit development district tax increment fund. Money deposited in the transit development district tax increment fund is required to be appropriated to the regional transit authority under which the transit development district was created. The money is then required to be used for the purposes of the regional transit authority authorized by the statute creating the authority.

IndyGo COIT Allocation - The bill requires 3% of Marion County's COIT certified distribution to be distributed to IndyGo (the Indianapolis Public Transportation Corporation) beginning July 1, 2008. The distribution to IndyGo would total about \$2.7 M during the second half of CY 2008, and is estimated to total about \$5.5 M in CY 2009. The amounts distributed to IndyGo would be shifted from COIT certified shares allocated to civil taxing units (not schools) in Marion County. It is estimated that COIT certified distribution to Marion County, including the 3% share for IndyGo, could grow by about 2.8% annually under the 1% COIT rate.

Under current law, Marion County COIT distributive shares are allocated to civil taxing units (not schools) under a formula that applies only in Marion County. The current formula allocates a share of COIT revenue to each township, each of the four excluded cities, and a combined Indianapolis/Marion County. The included towns, libraries, and special taxing units do not directly receive a share of the revenue. The COIT revenue is allocated to receiving units via a formula that is largely based on the maximum levies of those units. The maximum levy used in the formula for Indianapolis/Marion County is equal to the sum of the maximum levies of the city and county, plus all of the civil taxing units that do not receive a direct share.

Current law also provides that the county fiscal body in Marion County may elect to provide revenue to IndyGo from the Marion County COIT certified distribution.

State Agencies Affected: Treasurer of State; Department of State Revenue.

Local Agencies Affected: Cities, towns, and counties.

Information Sources: Charlene Parrish, Indiana Department of Transportation, 317-232-5117.

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